CORRESPONDENCE.

ON MR. YOUNGER'S PAPER AS TO THE METHOD OF TESTING THE SOLVENCY OF AN ASSURANCE COMPANY, &c.

To the Editor of the Assurance Magazine.

SIR,—I think you must have given Mr. Younger's paper the prominence it obtained in your last Number, with a view to provoke discussion; for I have rarely seen one more calculated to call forth the comments of your contributors.

I presume Mr. Younger is speaking advisedly when he describes a prevalent method of transferring the business of one young Company to another, and the process, to one unacquainted with it, appears sufficiently startling; but what authority or precedent can he possibly have for the method he proposes to substitute?

The plan of valuing a policy—which, he *naïvely* tells us, is "sometimes" adopted—is certainly not open to either of the objections he brings against it; since, if the purchasing Office gets paid over to it the difference between the present value of the sums assured and that of the premiums (reduced by such a proportion, for expenses of management, &c., as may be resolved on), what loss can result to the Company if half the policies are forfeited by non-renewal on the following day?

I am not quite sure that I understand Mr. Younger's method of valuation rightly; since, if by the formula at p. 186, line 5, he means to express the difference between the net or unloaded premium and the amount paid for claims, the first sum should be—

$$\text{Since } a=\pi\left(1+\frac{1}{k}\right), \text{ then } \pi=a\left(1-\frac{1}{k+1}\right);$$

but if the mortality should have been excessive, how can the amount thus found be said to be that "necessary to provide for the sums originally assured under existing policies"?

It is a very difficult matter to convince a non-professional person that the premiums received on a dropped policy have not been all profit, but I hope I am misunderstanding Mr. Younger in supposing that he advocates this idea; at least, I may assure him that no such "hypothesis" as he refers to at p. 187 is ever held—but that if, at an Office valuation, there is found to be an excess of the amount of funds in hand, and of the immediate value of the future premiums, over the present value of the reversions, it is more likely to have arisen from any of two or three other causes that could be named, than from the profits (such as they are) of dropped assurances.

I hardly think Mr. Younger's method of valuation is likely to supersede that with which we are all familiar;

And remain, Sir,

Your most obedient Servant,

Aberdeen, 15th January, 1858. H. A. S.